

*Public Accounts*

go back to the departments about which we made recommendations. We follow up to see what has happened, to see whether the government has acted on the recommendations or whether the departments have acted on the recommendations of the committee.

As a consequence, we have specific recommendations now and I am pleased to say that I get a letter from the President of the Treasury Board after each report is tabled. He gives his initial views on how he sees this report of the committee. He also lets us know what might be happening to overcome some of the problems which the committee has seen.

I said earlier that I was sorry the President of the Treasury Board is not here because I am going to make some references to what he has said about some of our reports. I am sorry, too, because the first report of this committee in the Thirty-second Parliament covered material that was examined by the Standing Committee on Public Accounts during the Thirty-first Parliament when the present President of the Treasury Board was chairman of the Public Accounts Committee.

Before I go on to the recommendations in the report, I should say that the progress of the committee has come about through the efforts of a number of chairmen who were very active and responsible for many of the innovations to which I am referring today. As a matter of fact, I am the first chartered accountant that has ever been chairman of the Standing Committee on Public Accounts. My predecessor, the present President of the Treasury Board, is a lawyer, as is the hon. member for Durham-Northumberland (Mr. Lawrence) who was chairman a little earlier. The hon. member for Capilano (Mr. Huntington), a former chairman, is a business executive. We have had other business people as chairman. When I first came here a merchant, the former member for Wellington, was the chairman of the committee. The committee has come a long way.

The topic of the report for which we are asking concurrence today includes SPICE. I do not know if that means a spicy debate, although we hope so, but SPICE is one of the acronyms that has been developed recently. It stands for "Study of Procedures in Cost Effectiveness".

Anyone who hears about SPICE in the House of Commons might well ask what is SPICE and what does it do? Only a few months after his appointment in July, 1973 as Auditor General, James Macdonell announced the appointment of the independent review committee on the office of the Auditor General of Canada. That committee was comprised of two prominent chartered accountants and one prominent lawyer. It became known as the Wilson committee. It was named after the chairman, the late J. R. M. Wilson, a Fellow of the Institute of Chartered Accountants.

That committee reported in March, 1975. Among other things, referring to the Auditor General's report of 1978, the Wilson committee in 1975 said that government auditors should advise legislatures whether funds they grant to the administrative arms of government have been properly used. I think at that point we should say that value for money auditing was born. The Wilson committee also said that the Auditor

General should take due account of economy and efficiency in conducting his examination of expenditures.

I think we can probably say that that was the beginning of economy, efficiency and effectiveness; the "three E's", as they are now known. The report also called for new legislation to provide specific authority for the Auditor General to report cases where, in his opinion, value for money has not been obtained through the government's expenditure of public funds. That is a very important forerunner to what we have today.

The Wilson committee also addressed the effectiveness of programs and said that Parliament's expectations in legislation are not always readily discernible, nor are the results achieved always measurable with reliable techniques. The audit office, the committee concluded, should take a great interest in the progress of effectiveness measurement. Those observations going back to 1975 became the foundation for what we know today as comprehensive auditing.

Two and a half years after the Wilson report was tabled we got from the Government of Canada a bill known as the Auditor General Act, 1976-77. This was proclaimed on August 1, 1977. The basis of that act was that it set out the legislative foundation of value for money auditing, and the Auditor General was required by this legislation to report to Parliament "anything that he considers to be of significance and of a nature that should be brought to the attention of the House of Commons, including any cases in which he has observed that money has been expended without due regard to economy or efficiency; or satisfactory procedures have not been established to measure and report the effectiveness of the program where such procedures could appropriately and reasonably be implemented".

At about that time the "three R's" became the "three E's"; that is economy, efficiency and effectiveness. In those three headings the word "economy" refers to the terms and conditions under which the government acquires human and material resources. An economical operation acquires these resources in appropriate quality and quantity at the lowest cost. Efficiency refers to the relationship between goods or services produced and resources used to produce them. An efficient operation produces the maximum output for any given set of resource inputs. Effectiveness concerns the extent to which a program achieves its goals or other intended effects.

I think there is many a slip between what the estimates committees of the House approve in the programs and what has been expended after the fact. Through these tools of comprehensive auditing, that is what we want to hear from the Auditor General of Canada.

While the Auditor General Act was simmering prior to its passage in August, 1977 the Auditor General in September, 1976 initiated a special project within his own office, and SPICE, the study of procedures in cost effectiveness, was born. Again I refer to the annual report of the Auditor General for 1978. The first objective of SPICE was to compile information on the state of the art of management and control systems in the public sector in terms of economy, efficiency and effectiveness. The second objective was to assess and report on existing procedures for planning, measuring and controlling activities